Systems integration: Why it's time to put away patchwork solutions

Market forces won't wait, and neither should you

By Miles Benton and Marisa Ruscitto

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Miles Benton and Marisa Ruscitto discuss the rationale and considerations for insurance systems integration, and why they see its implementation as becoming more pressing.

Emphasis: To be clear, what exactly do you mean when you talk about systems integration in insurance?

Benton: To manage their business, many established insurers will employ multiple IT systems, platforms and solutions, which are challenged to connect and speak effectively with one another. Merger and acquisition activity or the need to meet various business initiatives may explain the use of multiple systems. Disparate systems designed for specialized jobs in insurers' departments also contribute to duplication. System integration bridges these disparate platforms so they are better connected and seamless.

Emphasis: Why do you see systems integration as so important to insurers right now?

Ruscitto: Capital and risk need to be matched faster and more effectively. Insurers must now know their customers better, and pay more attention to speed to market and cost efficiency. Market forces such as the growth of digital platforms, buying trends of younger generations, the proliferation of broker portals and the rise of InsurTech businesses are making this necessary. In my opinion, realistically, no single-purpose insurance system or platform is able to deliver all of the needs of every company. This means that companies need to connect and pool internal and external resources and systems, and effectively harness data. Specialized solutions that offer better long-term performance can be added to already integrated and embedded functionality to achieve this goal.

Where an insurer wants to be relative to the competition also matters, particularly in personal lines. However, this is increasingly true in commercial lines where insurers are looking to modernize.

Benton: I'd emphasize the importance of data. The availability of good data is fundamental in defining differentiated customer experiences, underwriting, pricing and, to a growing extent, claims. Rich data enable you to employ better predictive analytics, evaluate and price individual risks more effectively, and settle claims more quickly. Illustrating how these goals resonate in the market, our survey of U.S. personal lines and commercial insurers' use of advanced analytics showed that most companies are planning to harvest additional data sources in the next two years, many of them quite complex and unstructured (*Figure 1,* next page).

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Emphasis: Can you give some concrete examples of the benefits?

Benton: Companies are looking to simplify the quote process and deliver more precise pricing. Integrating third-party data – such as vehicle details, property characteristics and

Figure 1. **Top-growing new data sources U.S. insurers plan to use two years from now**

Personal lines	Now	Two years
Smart home/Smart building data	0%	52%
Usage-based insurance/Telematics	26%	70%
Social media	26%	52%
Unstructured internal claim information	39%	61%
Unstructured internal underwriting information	30%	52%
Images	13%	35%

Commercial lines	Now	Two years
Unstructured internal claim information	46%	92%
Other unstructured customer information	11%	54%
Unstructured internal underwriting information	25%	39%
Usage-based insurance/Telematics	11%	47%
Web/Clickstream/Phone/Email customer interactions	11%	36%
Images	3%	39%

Source: Willis Towers Watson 2017/2018 P&C Insurance Advanced Analytics Survey Report (U.S.), willistowerswatson.com/aasurvey2018

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commercial building occupants – help them to do that. Our BrovadaOne software enables companies to import just about any open-source data and integrate the information with their systems and workflows using an application programming interface (API).

A company in Canada, for example, wanted to reduce the number of keystrokes it takes for potential customers to receive a quote and make the process as simple, quick and frictionless as possible. At the same time, it could reduce the possibility of input errors and augment its pricing capacity by leveraging more robust external data. Another client has fundamentally built its strategy on effective systems integration (see Case study, page 3).

Ruscitto: This example illustrates how convenience and simplicity are key. Research suggests that millennials only want to answer a very small number of questions to get a quote. Their focus is on speed and simplicity, and it seems they're generally less concerned with well-known brands and are not thinking about the company's ability to pay in the event of a claim.

Systems integration also makes a big operational difference behind the scenes, by moving data efficiently around to various parts of the business where the information is best utilized, thereby saving massive amounts of time and manual effort all while reducing the margin for error. For example, implementing our Unify platform for process automation enables enhanced governance, provides audit trails and streamlines financial reporting – all key implementation objectives specific to the insurance industry, and not all available in other automation products.

Emphasis: What are some of the challenges insurers face in bringing systems together?

Benton: Legacy systems present the biggest challenge, as they were typically not built to be linked to other platforms or external solutions and services. Therefore, an integration layer can be leveraged to enable the legacy platforms to be more easily integrated and connected to other more modern platforms, solutions and services. With the ability to more easily bolt on modern services and solutions, companies are now able to extend the life of their core legacy systems, which often still adequately provide basic services like billing and policy issuance. The idea of modularization is more economical (time and money), continues to capitalize on the initial core investment and minimizes business disruption.

Ruscitto: One hurdle we have come across is that some primary stakeholders of systems continue to have the "if it isn't broken, don't fix it" mindset. They think the easiest way forward is to duct tape multiple systems together and continue to deal with the issues of poor or nonexistent systems integration and manual reporting or data entry. The idea that you can achieve some of the benefits we've been talking about, without scrapping everything you've already got and moving to an entirely new system, seems alien to them.

Case study: Integration as a key to business strategy

An innovative U.S. insurer is making its mark by bringing speed, agility, performance and customer experience to the forefront with real-time insurance pricing, using a platform with Willis Towers Watson's Radar Live and BrovadaOne technology solutions at its heart. The platform generates instant quotes and updates across its digital distribution channels. As the underwriting team responds to changes in market forces, rules, taxes or surcharges, straight-through processing means that updates are reflected in the customized rates that customers see instantly, without delay.

Unlike U.S. insurers that currently have rating embedded in their policy administration, Radar Live's pricing models are independent of the company's other systems. Rating algorithms, rules, and details of applicable taxes and surcharges are stored separately yet integrated into the platform using the seamless systems bridging provided by the sophisticated APIs and data messaging of BrovadaOne. As a result, the company can respond to, test and roll out changes faster than the competition by making updates only once. Traditionally, insurers have had to make time-consuming changes and test rates at multiple points in the policy administration system/process before updates are reflected in pricing.

Furthermore, with this configuration our client can introduce best-in-class systems into the claim process, fraud detection, the underwriting process and other areas with ease, eliminating reliance on the basic approaches built into its policy administration system. Moreover, the company can more easily integrate and use third-party data sources that help enrich underwriting and pricing decisions.

When judging the best systems approach for future needs, it is important to calculate the true total cost of ownership for each approach. That's the ultimate metric, rather than assessing value against just hardware and software spend.

– Marisa Ruscitto

Another thing that can get in the way of progress is the buy versus build debate: Is the up-front cost of buying a systems integration solution worth it? Now obviously I'm biased, but on multiple occasions we've come across companies where an in-house IT department has promised a solution, and three years later, in some cases even longer, they still don't have one.

This challenge or risk aside, when weighing your options it's important to realize it is not a one-time investment. Companies also need to consider the cost of maintaining whatever they build and whatever integration route they take. Insurers may not factor in future budget implications or whether they have the in-house talent required to continue to develop and improve their systems to meet market demands and continuous technological advancements.

Benton: What's also important is the business culture and a move away from a silo approach. Effective systems integration requires getting the C-suite and all departments – underwriting, pricing, marketing, finance, claims, legal, customer service and IT – in the same room where they can collaboratively agree on objectives, decide on the focus for integration and data flows, and deliver on those objectives. Only then do you get to the question of what solutions can meet these needs.

Experience shows that one thing that can really help create momentum behind such culture change is to identify and target some quick wins. For example, maybe it would be reducing manual quote inputs by a certain percentage or time period, or identifying some high-potential customer segments for marketing purposes. Whatever they may be, a few staging posts along the route to the broader integration objectives should prove beneficial.

Emphasis: What will best-in-class insurance systems look like in 10 years' time?

Ruscitto: What these systems effectively deliver – speed, flexibility, agility, value and service excellence – is what I emphasize, not what they look like. These qualities lead to some of a system's likely features.

These will include software applications that optimize the use of technical resources and help move data efficiently around the business, more of which will be available on an on-demand basis as software-as-a-service. And rather than companies continuing to invest in costly and potentially limiting hardware environments, I'd expect more insurance systems to operate in the cloud. Attitudes toward the cloud have already shifted and continue to shift significantly, as

Figure 2. **Evolving approaches to managing big data (by company size)**

	Large		Medium		Small	
	Now	Exploring	Now	Exploring	Now	Exploring
Cloud-based (Amazon Web Services, Azure)	19%	48%	7%	50%	0%	40%
Hadoop	19%	37%	7%	14%	0%	20%

Source: Willis Towers Watson 2017/2018 P&C Insurance Advanced Analytics Survey Report (U.S.), willistowerswatson.com/aasurvey2018

we found recently among small, medium and large insurers alike in our U.S. advanced analytics survey report *(Figure 2)*. Five to six years ago I heard most clients say "no way" to the cloud because of concerns about data privacy and managing personal information. Now it's a very different conversation and more companies have a cloud-first approach.

When judging the best systems approach for future needs, it is important to calculate the true total cost of ownership for each approach. That's the ultimate metric, rather than assessing value against just hardware and software spend.

Benton: Insurers will also be able to make wider use of micro-services so they can roll out system improvements much quicker. Our future road map for BrovadaOne, for example, includes complementing or replacing the current relatively hard-coded approach with one that provides hosted modules, which can be configured to support specific business' requirements, and be up and running more quickly.

Emphasis: What else is Willis Towers Watson doing to help insurers get to where you think they may need to be?

Benton: We're geared toward providing end-to-end solutions that can be tailored to client needs as detailed in our case study. Given our experience with multiple systems, we're able to customize the pieces required to support insurers' ambitions and their current and future needs and requirements. Some of our recent work for clients has focused on loss bordereau and supporting the ability to move around bulk data that are linked to (re)insurance premiums, and paid and outstanding claims. A number of insurers are also focused on how they interact with brokers so they create a better customer experience in that distribution channel.

Emphasis: How urgent is better systems integration in your view?

Benton: It depends. More personal lines insurers are realizing benefits, but a number of commercial insurers are beginning to derive a competitive advantage. Market imperative aside, progress has often been linked to the availability of data in a form that insurers can use, but the right software and analytics techniques can now substantially overcome this obstacle. And pricing in a number of insurance markets remains soft, so companies need to drive efficiencies and reduce their expense ratio. Better systems integrations and more streamlined workflows will help with both.

Effective systems integration requires getting the C-suite and all departments — underwriting, pricing, marketing, finance, claims, legal, customer service and IT — in the same room where they can collaboratively agree on objectives, decide on the focus for integration and data flows, and deliver on those objectives.

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Ruscitto: A danger I've already alluded to is that companies often misjudge what they can do by themselves and miscalculate the time it takes with internal resources. Even if they're getting by now, what happens if key people who've been applying workarounds to the system leave or retire?

Furthermore, it would be one thing if established insurers were only matching their systems integration capabilities against each other, but they aren't. The growth in InsurTech businesses means that some early-stage companies are starting from a clean slate, without a web of legacy systems, so it is easier to implement state-of-the-art technology. Insurers have the opportunity to buy in to or partner with these early-stage businesses. This can often lead to significant leaps forward in systems connectivity and what it can make possible – not good news if that's your competitor.

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